

ORDER OF THE  
DEPARTMENT OF HEALTH AND FAMILY SERVICES  
AMENDING RULES

To amend HFS 119.07 (6) (b) to (d) and 119.15 (2) and (3) relating to operation of the health insurance risk-sharing plan (HIRSP).

Analysis Prepared by the Department of Health and Family Services

The State of Wisconsin in 1981 established a Health Insurance Risk-Sharing Plan (HIRSP) for the purpose of making health insurance coverage available to medically uninsured residents of the state. HIRSP offers different types of medical care coverage plans for residents. According to state law, HIRSP policyholder premium rates must fund sixty percent of plan costs. The remaining funding for HIRSP is to be provided by insurer assessments and adjustments to provider payment rates, in co-equal twenty percent amounts.

One type of medical coverage provided by HIRSP is the Major Medical Plan. This type of coverage is called Plan 1. Eighty-nine percent of the 16,445 HIRSP policies in effect in March 2003, were of the Plan 1 type. Plan 1 has Option A (\$1,000 deductible) or Option B (\$2,500 deductible). The rates for Plan 1 contained in this rulemaking order increase an average of 10.6% for policyholders not receiving a premium reduction. The average rate increase for policyholders receiving a premium reduction is 18.5%. Rate increases for individual policyholders within Plan 1 range from 5.4% to 20.9%, depending on a policyholder's age, gender, household income, deductible and zone of residence within Wisconsin. Plan 1 rate increases reflect general and industry-wide premium increases and take into account the increase in costs associated with Plan 1 claims.

A second type of medical coverage provided by HIRSP is for persons eligible for Medicare. This type of coverage is called Plan 2. Plan 2 has a \$500 deductible. Eleven percent of the 16,445 HIRSP policies in effect in March 2003, were of the Plan 2 type. The rate increases for Plan 2 contained in this rulemaking order increase an average of 15.6% for policyholders not receiving a premium reduction. The average rate increase for policyholders receiving a premium reduction is 23.8%. Rate increases for individual policyholders within Plan 2 range from 9.9% to 26.5%, depending on a policyholder's age, gender, household income and zone of residence within Wisconsin. Plan 2 rate increases reflect general and industry-wide cost increases and take into account the increase in costs associated with Plan 2 claims. Plan 2 premiums are also set in accordance with the authority and requirements set out in s. 149.14 (5m), Stats.

The Department through this rulemaking order amends ch. HFS 119 in order to update HIRSP premium rates in accordance with the authority and requirements set out in s. 149.143 (2) (a), Stats. The Department is required to set premium rates by rule. HIRSP premium rates must be calculated in accordance with generally accepted actuarial principles.

The Department through this rulemaking order is also increasing total HIRSP insurer assessments and reducing provider payment rates, in accordance with the authority and requirements set out in s. 149.143 (2) (a) 3., and 4., Stats. With the approval of the HIRSP Board of Governors and as required by statute, the Department reconciled total costs for the HIRSP program for calendar year 2002. The Board of Governors approved a methodology that reconciles the most recent calendar year actual HIRSP program costs, policyholder premiums, insurance assessments and health care provider contributions collected with the statutorily required funding formula.

By statute, the adjustments for the calendar year are to be applied to the next plan year budget beginning July 1, 2003. The total annual contribution to the HIRSP budget provided by an assessment on insurers is \$35,444,109. The total annual contribution to the HIRSP budget provided by an adjustment to the provider payment rates is \$39,170,353. On April 9, 2003, the HIRSP Board of Governors approved the calendar year 2002 reconciliation process. On May 19, 2003 the Board approved the HIRSP budget for the plan year July 1, 2003 through June 30, 2004.

These proposed rules are identical to emergency rules issued by the Department that became effective July 1, 2003.

The department's authority to amend these rules is found in ss. 149.143 (2) (a) 2., 3., and 4., and 227.11 (2) Stats. The rule interprets ss. 149.14 (5m), 149.142 and 149.143, 149.146, and 149.165, Stats.

### ORDER

SECTION 1. HFS 119.07 (6) (b) to (d) are amended to read:

HFS 119.07 (6) (b) *Annual premiums for major medical plan policies with standard deductible*. The schedule of annual premiums beginning ~~July 1, 2002~~ July 1, 2003, for persons not entitled to a premium reduction under s. 149.165, Stats., is as follows:

#### MAJOR MEDICAL PLAN – Males

| Age Group | Zone 1              | Zone 2              | Zone 3              |
|-----------|---------------------|---------------------|---------------------|
| 0-18      | <u>\$2,0882,232</u> | <u>\$1,8722,016</u> | <u>\$1,6801,800</u> |
| 19-24     | <u>2,0882,232</u>   | <u>1,8722,016</u>   | <u>1,6801,800</u>   |
| 25-29     | <u>2,1842,340</u>   | <u>1,9682,100</u>   | <u>1,7521,860</u>   |
| 30-34     | <u>2,4722,640</u>   | <u>2,2202,388</u>   | <u>1,9802,112</u>   |
| 35-39     | <u>2,8683,072</u>   | <u>2,5802,772</u>   | <u>2,2922,472</u>   |
| 40-44     | <u>3,4083,660</u>   | <u>3,0603,288</u>   | <u>2,7242,928</u>   |
| 45-49     | <u>4,3084,716</u>   | <u>3,8764,248</u>   | <u>3,4443,780</u>   |
| 50-54     | <u>5,7126,312</u>   | <u>5,1365,676</u>   | <u>4,5725,052</u>   |
| 55-59     | <u>7,5608,364</u>   | <u>6,8047,524</u>   | <u>6,0486,684</u>   |
| 60+       | <u>9,61210,836</u>  | <u>8,6649,744</u>   | <u>7,6928,664</u>   |

#### MAJOR MEDICAL PLAN – Females

| Age Group | Zone 1              | Zone 2              | Zone 3              |
|-----------|---------------------|---------------------|---------------------|
| 0-18      | <u>\$2,0882,232</u> | <u>\$1,8722,016</u> | <u>\$1,6801,800</u> |
| 19-24     | <u>2,6882,844</u>   | <u>2,4122,556</u>   | <u>2,1482,268</u>   |
| 25-29     | <u>2,9523,192</u>   | <u>2,6642,868</u>   | <u>2,3642,556</u>   |
| 30-34     | <u>3,2763,528</u>   | <u>2,9403,180</u>   | <u>2,6162,820</u>   |
| 35-39     | <u>3,7444,032</u>   | <u>3,3843,624</u>   | <u>3,0123,228</u>   |
| 40-44     | <u>4,2364,584</u>   | <u>3,8044,128</u>   | <u>3,3843,684</u>   |
| 45-49     | <u>4,9325,412</u>   | <u>4,4524,872</u>   | <u>3,9484,332</u>   |
| 50-54     | <u>5,8566,480</u>   | <u>5,2805,832</u>   | <u>4,6805,196</u>   |
| 55-59     | <u>6,8647,560</u>   | <u>6,1806,804</u>   | <u>5,4966,048</u>   |
| 60+       | <u>8,0168,904</u>   | <u>7,2248,016</u>   | <u>6,4087,128</u>   |

MEDICARE PLAN – Males

| Age Group | Zone 1              | Zone 2              | Zone 3              |
|-----------|---------------------|---------------------|---------------------|
| 0-18      | <u>\$1,5361,716</u> | <u>\$1,3681,548</u> | <u>\$1,2241,380</u> |
| 19-24     | <u>1,5361,716</u>   | <u>1,3681,548</u>   | <u>1,2241,380</u>   |
| 25-29     | <u>1,6081,776</u>   | <u>1,4401,608</u>   | <u>1,2841,428</u>   |
| 30-34     | <u>1,8002,016</u>   | <u>1,6201,836</u>   | <u>1,4401,608</u>   |
| 35-39     | <u>2,0882,352</u>   | <u>1,8962,112</u>   | <u>1,6801,884</u>   |
| 40-44     | <u>2,4842,808</u>   | <u>2,2322,520</u>   | <u>1,9802,232</u>   |
| 45-49     | <u>3,1563,612</u>   | <u>2,8323,240</u>   | <u>2,5202,892</u>   |
| 50-54     | <u>4,1764,824</u>   | <u>3,7444,332</u>   | <u>3,3483,864</u>   |
| 55-59     | <u>5,5326,396</u>   | <u>4,9925,748</u>   | <u>4,4285,112</u>   |
| 60+       | <u>7,0448,280</u>   | <u>6,3367,440</u>   | <u>5,6166,624</u>   |

MEDICARE PLAN – Females

| Age Group | Zone 1              | Zone 2              | Zone 3              |
|-----------|---------------------|---------------------|---------------------|
| 0-18      | <u>\$1,5361,716</u> | <u>\$1,3681,548</u> | <u>\$1,2241,380</u> |
| 19-24     | <u>1,9682,172</u>   | <u>1,7641,944</u>   | <u>1,5721,728</u>   |
| 25-29     | <u>2,1602,436</u>   | <u>1,9442,196</u>   | <u>1,7281,944</u>   |
| 30-34     | <u>2,4002,700</u>   | <u>2,1482,424</u>   | <u>1,9082,148</u>   |
| 35-39     | <u>2,7363,072</u>   | <u>2,4842,772</u>   | <u>2,1962,472</u>   |
| 40-44     | <u>3,0963,516</u>   | <u>2,7723,156</u>   | <u>2,4842,808</u>   |
| 45-49     | <u>3,6004,128</u>   | <u>3,2643,732</u>   | <u>2,8803,312</u>   |
| 50-54     | <u>4,2844,956</u>   | <u>3,8524,452</u>   | <u>3,4203,960</u>   |
| 55-59     | <u>5,0285,784</u>   | <u>4,5245,208</u>   | <u>4,0204,620</u>   |
| 60+       | <u>5,8686,804</u>   | <u>5,2806,132</u>   | <u>4,6805,448</u>   |

HFS 119.07 (6) (c) 1. The annual base rates for calculating premium reductions under s. HFS 119.12 that are applicable to standard risks under individual policies providing substantially the same coverage and deductibles as the plan's major medical plan are as follows beginning ~~July 1, 2002~~ July 1, 2003:

MAJOR MEDICAL PLAN – Males  
(Base for Reduced Rates)

| Age Group | Zone 1              | Zone 2              | Zone 3              |
|-----------|---------------------|---------------------|---------------------|
| 0-18      | <u>\$1,3921,596</u> | <u>\$1,2481,440</u> | <u>\$1,1161,284</u> |
| 19-24     | <u>1,3921,596</u>   | <u>1,2481,440</u>   | <u>1,1161,284</u>   |
| 25-29     | <u>1,4521,668</u>   | <u>1,3081,500</u>   | <u>1,1641,332</u>   |
| 30-34     | <u>1,6441,884</u>   | <u>1,4761,704</u>   | <u>1,3201,512</u>   |
| 35-39     | <u>1,9082,196</u>   | <u>1,7161,980</u>   | <u>1,5241,764</u>   |
| 40-44     | <u>2,2682,616</u>   | <u>2,0402,352</u>   | <u>1,8122,088</u>   |
| 45-49     | <u>2,8683,372</u>   | <u>2,5803,036</u>   | <u>2,2922,700</u>   |
| 50-54     | <u>3,8044,512</u>   | <u>3,4204,056</u>   | <u>3,0483,612</u>   |
| 55-59     | <u>5,0405,976</u>   | <u>4,5365,376</u>   | <u>4,0324,776</u>   |
| 60+       | <u>6,4087,740</u>   | <u>5,7726,960</u>   | <u>5,1246,192</u>   |

MAJOR MEDICAL PLAN – Females

(Base for Reduced Rates)

| Age Group | Zone 1              | Zone 2              | Zone 3              |
|-----------|---------------------|---------------------|---------------------|
| 0-18      | <u>\$1,3921,596</u> | <u>\$1,2481,440</u> | <u>\$1,1161,284</u> |
| 19-24     | <u>1,7882,028</u>   | <u>1,6081,824</u>   | <u>1,4281,620</u>   |
| 25-29     | <u>1,9682,280</u>   | <u>1,7762,052</u>   | <u>1,5721,824</u>   |
| 30-34     | <u>2,1842,520</u>   | <u>1,9562,268</u>   | <u>1,7402,016</u>   |
| 35-39     | <u>2,4962,880</u>   | <u>2,2562,592</u>   | <u>2,0042,304</u>   |
| 40-44     | <u>2,8203,276</u>   | <u>2,5322,952</u>   | <u>2,2562,628</u>   |
| 45-49     | <u>3,2883,864</u>   | <u>2,9643,480</u>   | <u>2,6283,096</u>   |
| 50-54     | <u>3,9004,632</u>   | <u>3,5164,164</u>   | <u>3,1203,708</u>   |
| 55-59     | <u>4,5725,400</u>   | <u>4,1164,860</u>   | <u>3,6604,320</u>   |
| 60+       | <u>5,3406,360</u>   | <u>4,8125,724</u>   | <u>4,2725,088</u>   |

HFS 119.07 (6) (c) 2. The annual base rates for calculating premium reductions under s. HFS 119.12 that are applicable to standard risks under individual policies providing substantially the same coverage and deductibles as the plan's medicare plan are as follows beginning ~~July 1, 2002~~ July 1, 2003:

MEDICARE PLAN – Males  
(Base for Reduced Rates)

| Age Group | Zone 1              | Zone 2            | Zone 3            |
|-----------|---------------------|-------------------|-------------------|
| 0-18      | <u>\$1,0201,224</u> | <u>\$9121,104</u> | <u>\$816984</u>   |
| 19-24     | <u>1,0201,224</u>   | <u>9121,104</u>   | <u>816984</u>     |
| 25-29     | <u>1,0681,272</u>   | <u>9601,152</u>   | <u>8521,020</u>   |
| 30-34     | <u>1,2001,440</u>   | <u>1,0801,308</u> | <u>9601,152</u>   |
| 35-39     | <u>1,3921,680</u>   | <u>1,2601,512</u> | <u>1,1161,344</u> |
| 40-44     | <u>1,6562,004</u>   | <u>1,4881,800</u> | <u>1,3201,596</u> |
| 45-49     | <u>2,1002,580</u>   | <u>1,8842,316</u> | <u>1,6802,064</u> |
| 50-54     | <u>2,7843,444</u>   | <u>2,4963,096</u> | <u>2,2322,760</u> |
| 55-59     | <u>3,6844,572</u>   | <u>3,3244,104</u> | <u>2,9523,648</u> |
| 60+       | <u>4,6925,916</u>   | <u>4,2245,316</u> | <u>3,7444,728</u> |

MEDICARE PLAN – Females  
(Base for Reduced Rates)

| Age Group | Zone 1              | Zone 2            | Zone 3            |
|-----------|---------------------|-------------------|-------------------|
| 0-18      | <u>\$1,0201,224</u> | <u>\$9121,104</u> | <u>\$816984</u>   |
| 19-24     | <u>1,3081,548</u>   | <u>1,1761,392</u> | <u>1,0441,236</u> |
| 25-29     | <u>1,4401,740</u>   | <u>1,2961,572</u> | <u>1,1521,392</u> |
| 30-34     | <u>1,5961,932</u>   | <u>1,4281,728</u> | <u>1,2721,536</u> |
| 35-39     | <u>1,8242,196</u>   | <u>1,6561,980</u> | <u>1,4641,764</u> |
| 40-44     | <u>2,0642,508</u>   | <u>1,8482,256</u> | <u>1,6562,004</u> |
| 45-49     | <u>2,4002,952</u>   | <u>2,1722,664</u> | <u>1,9202,364</u> |
| 50-54     | <u>2,8563,540</u>   | <u>2,5683,180</u> | <u>2,2802,832</u> |
| 55-59     | <u>3,3484,128</u>   | <u>3,0123,720</u> | <u>2,6763,300</u> |
| 60+       | <u>3,9124,860</u>   | <u>3,5164,380</u> | <u>3,1203,888</u> |

HFS 119.07 (6) (d) *Annual premiums for major medical plan policies with a \$2,500 deductible.* In accordance with s. 149.146, Stats., an alternative plan of health insurance involving major medical expense coverage is established with a \$2,500 deductible. After the policyholder satisfies the annual \$2,500 deductible, HIRSP will pay 80% of the covered expenses for the next \$5,000 of covered expenses. Policyholders are required to pay the remaining 20% as coinsurance, up to an annual individual maximum of \$1,000. The annual maximum amount a family with 2 or more alternative plans will be required to pay for covered expenses is \$7,000. The schedule of annual premiums for coverage under the alternative plan with a \$2,500 deductible is as follows beginning ~~July 1, 2002~~July 1, 2003:

ALTERNATIVE MAJOR MEDICAL PLAN Males

| Age Group | Zone 1              | Zone 2              | Zone 3              |
|-----------|---------------------|---------------------|---------------------|
| 0-18      | <u>\$1,5001,608</u> | <u>\$1,3441,452</u> | <u>\$1,2121,296</u> |
| 19-24     | <u>1,5001,608</u>   | <u>1,3441,452</u>   | <u>1,2121,296</u>   |
| 25-29     | <u>1,5721,680</u>   | <u>1,4161,512</u>   | <u>1,2601,344</u>   |
| 30-34     | <u>1,7761,896</u>   | <u>1,5961,716</u>   | <u>1,4281,524</u>   |
| 35-39     | <u>2,0642,208</u>   | <u>1,8601,992</u>   | <u>1,6561,776</u>   |
| 40-44     | <u>2,4482,640</u>   | <u>2,2082,364</u>   | <u>1,9562,112</u>   |
| 45-49     | <u>3,0963,396</u>   | <u>2,7963,060</u>   | <u>2,4842,724</u>   |
| 50-54     | <u>4,1164,548</u>   | <u>3,6964,092</u>   | <u>3,2883,636</u>   |
| 55-59     | <u>5,4486,024</u>   | <u>4,8965,412</u>   | <u>4,3564,812</u>   |
| 60+       | <u>6,9247,800</u>   | <u>6,2407,020</u>   | <u>5,5446,240</u>   |

ALTERNATIVE MAJOR MEDICAL PLAN Females

| Age Group | Zone 1              | Zone 2              | Zone 3              |
|-----------|---------------------|---------------------|---------------------|
| 0-18      | <u>\$1,5001,608</u> | <u>\$1,3441,452</u> | <u>\$1,2121,296</u> |
| 19-24     | <u>1,9322,052</u>   | <u>1,7401,836</u>   | <u>1,5481,632</u>   |
| 25-29     | <u>2,1242,304</u>   | <u>1,9202,064</u>   | <u>1,7041,836</u>   |
| 30-34     | <u>2,3642,544</u>   | <u>2,1122,292</u>   | <u>1,8842,028</u>   |
| 35-39     | <u>2,7002,904</u>   | <u>2,4362,604</u>   | <u>2,1722,328</u>   |
| 40-44     | <u>3,0483,300</u>   | <u>2,7362,976</u>   | <u>2,4362,652</u>   |
| 45-49     | <u>3,5523,900</u>   | <u>3,2043,504</u>   | <u>2,8443,120</u>   |
| 50-54     | <u>4,2124,668</u>   | <u>3,8044,200</u>   | <u>3,3723,744</u>   |
| 55-59     | <u>4,9445,448</u>   | <u>4,4524,896</u>   | <u>3,9604,356</u>   |
| 60+       | <u>5,7726,408</u>   | <u>5,1965,772</u>   | <u>4,6085,136</u>   |

SECTION 2. HFS 119.15 (2) and (3) are amended to read:

(2) INSURER ASSESSMENTS. The insurer assessments for the time period ~~July 1, 2002 through June 30, 2003 total \$26,003,305.~~ July 1, 2003 through June 30, 2004 total \$35,444,109.

(3) PROVIDER PAYMENT RATES. The total adjustment to the provider payment rates for the time period ~~July 1, 2002 through June 30, 2003 is \$24,750,178.~~ July 1, 2003 through June 30, 2004 is \$39,170,353. HIRSP provider payment rates may not exceed charges. Payment rates for prescription drugs are set under s. 49.46 (2) (b) 6. h., Stats. Payment rates for hospital inpatient services utilize hospital-specific inpatient rates established under s. 49.46 (2) (b) 6. e., Stats., and HIRSP-specific weights for diagnostically related groups. Payment rates for hospital outpatient services may not exceed ~~59.93%~~58.85% of charges. Payment

rates for other professional services including physicians, labs and therapies are set under s. 49.46 (2) (b), Stats., including a ~~37.2%~~34.7% enhancement under s. 149.142 (1) (a), Stats.

The rules contained in this order shall take effect on the first day of the month following publication in the Wisconsin Administrative Register, as provided in s. 227.22 (2), Stats.

Wisconsin Department of Health and  
Family Services

Dated:

By: \_\_\_\_\_  
Helene Nelson  
Secretary

SEAL: